Washington, D.C. – To encourage increased purchases of fuel-efficient vehicles – and support the dealers who sell them – Congressman Joe Sestak (PA-07) voted for the Consumer Assistance to Recycle and Save (CARS) Act, HR 2751, which passed the House by a 298-119 margin. The proposal provides a voucher program in which the federal government offers rebates on cars and trucks that meet certain miles-per-gallon standards. This bill supports efforts both to address our energy crisis as well as to assist the auto industry, providing vouchers directly to new car dealers to reduce the purchase prices or down payments for new vehicles.

“For far too long, we did not take seriously enough the need for automobiles that address the future needs of our economy and reduce harmful emissions,” said Congressman Sestak. “Our economic and environmental securities require that we take action now. Increasing the efficiency of the vehicles we drive should be one small part of our transition to a greener economy that is not dependent on foreign oil and benefits from innovation in alternative energy solutions.

“Global warming and our addiction to oil are some of the greatest challenges of our time. We owe it to our children and grandchildren to act now and this legislation is part of that effort.”

Details of HR 2751

This bill establishes, within the Transportation Department's National Highway Traffic Safety Administration, a voucher program in which the federal government would provide rebates on purchases of – or leases of up to five years on – new vehicles that meet certain fuel economy requirements for consumers who trade in vehicles that have fuel economy ratings of no more than 18 miles per gallon (mpg). Participation in the program would be voluntary, and the bill requires the department to create a Web site that describes how to determine if a used vehicle would be eligible for the program, and would contain a list of new vehicles which could be purchased under the program and dealers who participate in the program.

The vouchers would be provided directly to new car dealers to reduce the purchase prices or down payments of new vehicles. The measure requires the department to issue, within 30 days of the bill's enactment, regulations that provide a process for certifying dealers for participation in the program. Additionally, the vouchers would not count as part of consumers’ gross incomes for tax purposes. The engines and drivetrains of the vehicles that are traded in would have to be scrapped, but other parts could be sold and used again.

The bill authorizes $4 billion from previously appropriated funds for the program, which would expire one year after the Transportation Department issues final rules on the measure.

Voucher Eligibility

The bill permits the distribution of $3,500 and $4,500 vouchers, to new car dealers, and sets combined fuel economy requirements for each voucher. Vouchers could be used to provide consumers rebates on new cars, as well as trucks in category one, two, and three weight classes. (Category one trucks have a gross weight of 6,000 pounds or less, category two trucks have a weight of between 6,000 pounds and 10,000 pounds, and category three trucks weigh between 10,000 pounds and 14,000 pounds. Sport utility vehicles comprise most of categories one and two.)

Vouchers could be issued for new vehicles that are from different weight categories (i.e., trucks could be traded in for cars), except in cases involving new category two or three trucks — in such cases only used category two or three trucks could be traded in.

Vehicle Eligibility

The measure requires, for participation in the program, traded-in vehicles to be drivable, to have been insured during the year immediately prior to being traded in, to be no more than 25 years old, and to have fuel economies of 18 mpg or less. The measure requires that new vehicles have manufacturers’ suggested retail prices of less than $45,000. It further stipulates that new passenger cars have fuel economies of at least 22 mpg, new category one trucks have fuel economies of at least 18 mpg, and new category two trucks have fuel economies of at least 15 mpg.

$3,500 Vouchers

In order for new passenger cars to be eligible for $3,500 vouchers, the new vehicles would have to meet fuel economy ratings at least four mpg more than the vehicles that are traded in.

In order for new category one trucks to be eligible, the new trucks would have to meet fuel economy ratings of at least two mpg more than the vehicles that are traded in.

In order for new category two trucks to be eligible, the new trucks would have to meet fuel economy ratings of at least 15 mpg. Additionally, if used category two trucks are traded in, the new trucks must meet fuel economy ratings of at least one mpg more than the vehicles that are traded in, or, if category three trucks are traded in, such category three trucks would have to have been produced for the 2001 model year or earlier.

In order for new category three trucks to be eligible, the used category three trucks that are traded in must have been produced for the 2001 model year or earlier and be of similar or larger sizes than the new trucks. The measure requires the Transportation Department to issue rules defining how the sizes of used trucks would be determined.

$4,500 Vouchers

In order for new passenger cars to be eligible for $4,500 vouchers, the new vehicles would have to meet fuel economy ratings at least ten mpg more than the cars that are traded in.

In order for new category one trucks to be eligible, the new trucks would have to meet fuel economy ratings of at least five mpg more than the vehicles that are traded in.

In order for new category two trucks to be eligible, the new trucks would have to meet fuel economy ratings of at least 15 mpg, and the new trucks would have to meet fuel economy ratings of at least two mpg more than the trucks that are traded in. Additionally, the trucks traded in must also be category two trucks.

Under the measure, new category three trucks would not be eligible for $4,500 vouchers.

Voucher Regulations & Limitations

The bill requires dealers to disclose the “best estimate” of the scrappage value of each used car eligible for the program, and requires the Transportation Department to promulgate rules, within 30 days of the bill's enactment, about disclosing such values. The measure permits dealers to keep $50, as an administrative fee, from the sale of each car for scrapping. (In determining whether to participate in the voucher program, consumers could compare such scrappage values to their cars’ trade in or private party sale values.)

The measure permits vouchers to be used in conjunction with other incentives offered for procurement of new vehicles, and prohibits car dealers from charging additional fees for vehicle purchases or leases for which vouchers are issued.

The bill permits the issuance of only one voucher per consumer and one voucher collectively for joint registered owners of a single vehicle for the duration of the program. The measure stipulates that only one voucher could be applied toward the purchase or lease payments of a new vehicle. It further stipulates that no more than 7.5 percent of funds for the program could be used for vouchers for new category three trucks.

Disposition of Used Vehicles

The bill requires car dealers to certify to the Transportation Department that used vehicles acquired under the program are not re-sold as used cars that could be operated in the United States or any other nation. The measure permits dealers to transfer the cars to salvage yards, and further requires that the engines and drivetrains of such vehicles be crushed or shredded. It permits all other parts of the vehicle to be sold.

The measure requires the Transportation Department to maintain a list of scrap yards to which vehicles could be sold. It also requires the Transportation Department, within 30 days of the bill's enactment, to issue regulations — consistent with federal and state laws — regarding the disposal of toxic substances or parts, such as refrigerants, antifreeze, lead products, and mercury switches.

Penalties for Non-Compliance

The bill stipulates that violations by dealers of its provisions, other than clerical errors, would be subject to federal civil penalties of no more than $15,000 per violation. The measure also stipulates that the severity of each violation be considered before imposing penalties.

Record Keeping & Reporting

The measure requires the Transportation Department to maintain a database that contains vehicle identification numbers of all new vehicles that have been procured, and all used vehicles that have been scrapped under the program. The measure also requires the department to submit a report to Congress, no later than 60 days after the program's expiration date, describing the effectiveness of the program, including the number of vouchers issued and the amount of funds expended.

*Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the Congress.*